

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	DATE FILED: January 31, 2006
v.	:	CRIMINAL NO. 06-
DONALD M. NICHOLSON	:	VIOLATIONS: 18 U.S.C. § 286
LEO F. MEDLEY, JR.	:	(conspiracy to make false claims
	:	- 1 count)
	:	18 U.S.C. § 287 (false claims - 1
	:	count
	:	18 U.S.C. § 201 (bribery of a
	:	public official - 2 counts)
		18 U.S.C. § 2 (aiding and abetting)

INDICTMENT

COUNT ONE

THE GRAND JURY CHARGES THAT:

INTRODUCTION

At all times material to this indictment:

1. System Integration and Management Inc. ("SIM") was a Virginia corporation which operated as a computer software and internet website development company.
2. SIM had a main office located at 8614 Westwood Center Drive, and a branch office located at 3318 Oaklawn Blvd., both in Hopewell, Virginia.
3. The United States General Services Administration ("GSA") was an agency of the United States which procured goods and services for federal agencies, including information technology ("IT") support services.

4. In or about September 1998, GSA entered into an agreement with SIM, known as a Basic Ordering Agreement (“BOA”), under which SIM agreed to provide IT support services, such as software engineering, IT strategic planning, electronic commerce support, and IT research and development, as needed by federal agencies.

5. Under this Basic Ordering Agreement, a federal agency needing IT support services could order these services from SIM through GSA. GSA would contract with SIM for the particular IT support services needed by the customer agency by issuing a task order to SIM.

6. Each task order represented a contract between GSA and SIM, containing a statement of work which described in detail the services that SIM was to provide, and set forth the time frame for the delivery of those services.

7. GSA issued two kinds of task orders to SIM under its Basic Ordering Agreement. The first, known as a firm fixed price task order (“FFP”), establishes the amount that the government would pay for the particular task ordered. Upon completion of a firm fixed price task order, the contractor billed GSA in one lump sum. If SIM completed the task for less money than the government had agreed to pay, SIM was entitled to keep the excess funds. However, if SIM performed the task at a cost greater than the agreed amount, the contractor had to absorb that excess cost.

8. The second type of task order that GSA issued to SIM was a time and materials task order (“T & M task order”). Under a time and materials task order, SIM billed the government for the costs it actually incurred in performing the services. These costs consisted generally of SIM’s time, that is, the labor hours for the different SIM employees who worked on the particular task order, billed at the employees’ hourly rates, plus the cost of any materials SIM used in performing that task. The contractor was required to submit documentation of all of its

costs, including employee hours and materials. The contractor would bill for “other direct costs,” (“ODCs”) that is, items other than travel and personnel that the contractor needed in order to fulfill the task order. Other direct costs were itemized in a report which was submitted and billed to SIM and ultimately billed to GSA.

9. The United States Army, the United States Coast Guard, GSA’s Federal Technology Service (“FTS”), and GSA’s Public Building Service were among the government agencies that received services from SIM.

10. Defendant DONALD M. NICHOLSON was the Director of the Federal Technology Service, IT Solutions Office, for GSA’s Region 2, located in New York City, New York. Defendant NICHOLSON administered all but one of the SIM task orders for Federal Technology Service.

11. As a GSA contracting official, defendant DONALD M. NICHOLSON was prohibited from receiving any type of payment, directly or indirectly, from persons who sought to do or did business with GSA.

12. Defendant LEO F. MEDLEY, JR. was employed by SIM as a Senior Configuration Manager and Project Manager.

13. The GSA office in Philadelphia, Pennsylvania authorized payment of SIM’s invoices.

THE CONSPIRACY

14. From in or about September 1999, until at least September 2001, in the Eastern District of Pennsylvania and elsewhere, defendants

**DONALD M. NICHOLSON
and
LEO F. MEDLEY, JR.**

conspired and agreed together and with others, known and unknown to the grand jury, to defraud the United States by knowingly obtaining, and aiding and abetting others to obtain, payment of false, fictitious and fraudulent claims submitted to GSA, that is, fraudulent invoices, which billed for fraudulent other direct costs.

MANNER AND MEANS

It was part of the conspiracy that:

15. Defendant DONALD F. NICHOLSON recruited defendant LEO M. MEDLEY, JR. to bill SIM for fraudulent expenses purportedly incurred by defendant MEDLEY in the performance of GSA contracts. Both NICHOLSON and MEDLEY agreed to split the money paid to defendant MEDLEY for these fraudulent expenses.

16. Defendant DONALD M. NICHOLSON added ODC expense funds to existing SIM task orders, and inflated new SIM task orders with additional ODC expense funds to cover the fraudulent expenses submitted by defendant LEO F. MEDLEY, JR.

17. Defendant LEO F. MEDLEY, JR., at the direction of defendant DONALD M. NICHOLSON, submitted the same receipts more than once for payment by SIM in different ODC reports and task orders.

18. Defendant DONALD M. NICHOLSON who had access to GSA/FTS employee credit cards receipts, gave defendant LEO F. MEDLEY, JR. certain credit card receipts which had previously been submitted by other GSA/FTS employees, so that defendant MEDLEY could submit these receipts to SIM for payment, in order to obtain government funds to reimburse both defendant NICHOLSON and defendant MEDLEY for home furnishings and personal items they purchased.

19. When defendant LEO F. MEDLEY, JR. claimed not to have receipts for some expenses, defendant DONALD F. NICHOLSON, knowing that the expenses were fraudulent, told SIM to reimburse defendant MEDLEY nonetheless.

20. Defendant LEO F. MEDLEY, JR. submitted approximately \$385,527.61 in fraudulent ODC reports to SIM for submission to GSA.

21. While defendant DONALD M. NICHOLSON was employed at GSA, defendant LEO F. MEDLEY, JR. unlawfully paid defendant NICHOLSON approximately \$156,550.

OVERT ACTS

In furtherance of the conspiracy, the defendants, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania and elsewhere:

1. From on or about September 30, 1999 through on or about September 2001, defendant LEO F. MEDLEY, JR. submitted duplicate and fraudulent receipts to SIM. Defendant MEDLEY filed ODC reports to get reimbursement for approximately \$385,527.61.

2. From in or about September 30, 1999 through in or about September 2001, SIM billed GSA for approximately \$428,364.02, of which \$385,527.00 was fraudulent.

3. From approximately December 4, 1999 through July 14, 2000, defendant LEO F. MEDLEY, JR., at the direction of defendant DONALD M. NICHOLSON, submitted approximately \$46,255.08 in fraudulent receipts for the Fort Monmouth Office Support task order.

4. From approximately May 12, 2000 through December 31, 2000, defendant LEO F. MEDLEY, JR., at the direction of defendant DONALD M. NICHOLSON, submitted

approximately \$100,193.42 in fraudulent receipts for the IRS task order.

5. On or about March 29, 2000, defendant LEO F. MEDLEY, JR., at the direction of defendant DONALD M. NICHOLSON, submitted approximately \$4,557.30 in fraudulent receipts for the FTS Procurement Software Analysis Tracking Support task order.

6. From approximately February 25, 2000 through February 27, 2000, defendant LEO F. MEDLEY, JR., at the direction of defendant DONALD M. NICHOLSON, submitted approximately \$17,317.42 in fraudulent invoices for the FTS/IT Support Services task order.

7. From approximately September 27, 1999 through September 28, 1999, defendant LEO F. MEDLEY, JR., at the direction of defendant DONALD M. NICHOLSON submitted approximately \$2,376.33 in fraudulent invoices for the FTS Software Analysis task order.

8. On or about April 21, 2000, defendant LEO F. MEDLEY, JR., at the direction of defendant DONALD M. NICHOLSON, submitted approximately \$13,672.33 in fraudulent invoices for the Picatinny task order.

9. From approximately September 11, 2000 through January 11, 2001, defendant LEO F. MEDLEY, JR., at the direction of defendant DONALD M. NICHOLSON, submitted approximately \$36,718.09 in fraudulent invoices for the IT Support to Program Office task order.

10. From approximately June 4, 2000 through August 18, 2000, defendant LEO F. MEDLEY, JR., at the direction of defendant DONALD M. NICHOLSON, submitted approximately \$21,525.48 in fraudulent invoices for the Administrative and Task Tracking Support task order.

11. On or about October 16, 2000, defendant LEO F. MEDLEY, JR., at the direction of defendant, DONALD M. NICHOLSON, submitted a task order proposal for the IT Contractor Support task order, which included approximately \$104,215 in fraudulent other direct costs.

12. On or about October 24, 2000, SIM billed GSA approximately \$20,843 in fraudulent other direct costs associated with the IT Contractor Support task order.
13. On or about December 2000, SIM billed GSA for \$20,843 in fraudulent other direct costs associated with the IT Contractor Support task order.
14. On February 2, 2001, SIM billed GSA for \$20,843 in fraudulent other direct costs associated with the IT Contractor Support task order.
15. On or about March 24, 2001, SIM billed GSA for \$20,843 in fraudulent other direct costs associated with the IT Contractor Support task order.
16. On or about September 18, 2001, SIM billed GSA for \$20,843 in fraudulent other direct costs associated with the IT Contractor Support task order.

All in violation of Title 18, United States Code, Section 286.

COUNT TWO

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 to 13 and 15 to 21 of Count One of this indictment are incorporated here.

2. From in or about October 16, 2000 through in or about September 18, 2001, in the Eastern District of Pennsylvania and elsewhere, defendants

**DONALD M. NICHOLSON
and
LEO F. MEDLEY, JR.**

knowingly aided and abetted, and willfully caused, the making and presentation to the General Services Administration, an agency of the United States, of a claim for payment of approximately \$20,843 for the IT Support task order, which defendants knew to be false, fictitious and fraudulent, by creating this task order to include fraudulent other direct costs.

In violation of Title 18, United States Code, Sections 287 and 2.

COUNT THREE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 13 and 15 through 21 of Count One of this indictment are incorporated here.

2. At all times material to this indictment, DONALD M. NICHOLSON was a public official within the meaning of Title 18, United States Code, Section 201(a).

3. From in or about September 1998 through in or about March 2001, in the Eastern District of Pennsylvania and elsewhere, defendant

LEO F. MEDLEY, JR.

knowingly and corruptly gave, offered, and promised, directly and indirectly, a thing of value, that is approximately \$156,550 to a public official, that is, DONALD M. NICHOLSON, an employee of the General Services Administration, with the intent to influence NICHOLSON to commit, aid in committing, collude in, and allow a fraud on the United States.

In violation of Title 18, United States Code, Section 201(b)(1)(B).

COUNT FOUR

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs 1 through 13 and 15 through 21 Count One of this indictment are incorporated here.

2. At all times material to this indictment, defendant DONALD M. NICHOLSON was a public official within the meaning of Title 18, United States Code, Section 201(a).

3. From in or about September 1998 through in or about March 2001, in the Eastern District of Pennsylvania and elsewhere, defendant

DONALD M. NICHOLSON,

being a public official at the General Services Administration, knowingly and corruptly, demanded, sought, received, and agreed to personally receive, directly and indirectly, a thing of value, that is, approximately \$156,550, from LEO F. MEDLEY, JR. in return for being influenced to commit, aid in committing, collude in, and allow a fraud on the United States.

In violation of Title 18, United States Code, Section 201(b)(2)(B).

A TRUE BILL:

FOREPERSON

PATRICK L. MEEHAN
United States Attorney